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BEFORE THE ARIZONA POWER PLANT  
AND LINE SITING COMMITTEE

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IN THE MATTER OF THE APPLICATION OF  
SOUTHERN CALIFORNIA EDISON COM-  
PANY AND ITS ASSIGNEES IN CONFORM-  
ANCE WITH THE REQUIREMENTS OF  
ARIZONA REVISED STATUTES SECTIONS  
40-360.03 AND 40-360.06 FOR A CERTIFI-  
CATE OF ENVIRONMENTAL COMPATIBIL-  
ITY AUTHORIZING CONSTRUCTION OF A  
500K V ALTERNATING CURRENT TRANS-  
MISSION LINE AND RELATED FACILITIES  
IN MARICOPA AND LA PAZ COUNTIES IN  
ARIZONA ORIGINATING AT THE  
HARQUAHALA SWITCHYARD WEST OF  
PHOENIX, ARIZONA AND TERMINATING  
AT THE DEVERS SUBSTATION IN  
RIVERSIDE COUNTY, CALIFORNIA.

Docket No. L-00000A-06-0295-00130

Case No. 130

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RUCO'S CLOSING BRIEF

The Residential Utility Consumer Office ("RUCO") offers this Closing Brief in lieu of an oral closing argument. RUCO has not taken a position either in support of or opposition to Southern California Edison's ("SCE" or "Company") application. Instead, RUCO's interest in this case is to offer a policy perspective for the Line Siting Committee ("Committee"), and ultimately the Arizona Corporation Commission ("Commission"), to consider as they deliberate on this matter.

In determining whether to issue a CEC for a proposed transmission line, the Committee should consider the retail price impacts that will result from the line's construction. Wholesale electric prices tend to be higher in California than in Arizona.<sup>1</sup> Currently, Arizona has surplus

Arizona Corporation Commission  
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<sup>1</sup> Transcript at 1768.

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1 electric generation capacity, and the limited transmission capacity between Arizona and  
2 California results in lower prices to the Arizona-based utilities that buy a portion of their  
3 generation needs from the Arizona wholesale generators.<sup>2</sup> If the proposed transmission line is  
4 built, additional buyers will gain access to the Arizona-based generators, putting upward  
5 pressure on wholesale electric prices.<sup>3</sup> The increased wholesale prices that Arizona utilities  
6 will pay will trickle down to Arizona utility customers.

7 SCE's witnesses cited numerous benefits that they believe offset the increases in rates  
8 Arizona customers might experience as a result of construction of the proposed line. However,  
9 those offsets that the Applicant refers to do not necessarily flow through to retail customers as  
10 lower rates.<sup>4</sup> For example, of the \$468 million additional profits that Arizona-based electric  
11 generators could achieve, 61% will accrue to entities other than Arizona utilities, thus Arizona  
12 retail electric consumers will receive virtually none of that benefit.<sup>5</sup> Of the remaining 39%, the  
13 impact of those increased profits on end-use customers would vary by utility, and the impacts  
14 on Arizona consumers is unclear.<sup>6</sup>

15 The Committee should also consider the reliability impact of any proposed transmission  
16 line. Greater interconnectedness of the electric system can yield system-wide economies and  
17 efficiencies.<sup>7</sup> However, the increased interdependence across the grid exposes the various  
18 system participants to the "weakest link" phenomenon.<sup>8</sup> For example, of the five major  
19 transmission outages affecting Arizona discussed by Applicant's witness Pfeifenberg,<sup>9</sup> four  
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21 <sup>2</sup> Transcript at 1768.  
22 <sup>3</sup> Transcript at 1769-71.  
23 <sup>4</sup> Transcript at 1771.  
24 <sup>5</sup> Exhibit S-29 at 4-6.  
<sup>6</sup> Exhibit S-29 at 6.  
<sup>7</sup> Exhibit RUCO-1 at 9.  
<sup>8</sup> *Id.*  
<sup>9</sup> Exhibit A-8 at tab 1, slide 29

1 were initiated by events occurring outside of Arizona.<sup>10</sup> In addition, the 2003 East Coast  
2 blackout was triggered by events in Ohio, but the impact of those events was felt across a  
3 large swath of the eastern United States and southeastern Canada.<sup>11</sup> In evaluating a  
4 proposed transmission project, the Committee should consider that there can be both positive  
5 and negative impacts from an increasingly interconnected electric system.

6 The impact of a transmission line on Arizona's future capacity needs is another factor  
7 that the Committee should consider. Arizona is a rapidly growing state, and facilitating sale of  
8 its current generation resources to other markets, when Arizona will itself soon need additional  
9 electric generation resources, may not be the best course of action. Arizona's three largest  
10 electric utilities project that they will "grow into" the excess generation capacity in Arizona  
11 within three years after the proposed transmission line would be completed.<sup>12</sup> At that time, if  
12 the line were built, Arizona utilities would have to look elsewhere, either out of state, or to  
13 newly constructed generation in Arizona, to meet their power supply needs. Thus, approval of  
14 a transmission line into another state could lead to construction of additional generation in  
15 Arizona.

16 The environmental impacts of additional transmission should also be weighed. Any  
17 transmission line will have environmental impacts from the footprint of the line itself.<sup>13</sup> Further,  
18 a transmission line that causes more intensive use of Arizona-based power generation plants  
19 will result in additional environmental impacts from the incremental operation of those plants,  
20 including air and water impacts. Further, as discussed above, additional generation may be  
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23 <sup>10</sup> Transcript at 1774.

24 <sup>11</sup> Transcript at 1773.

<sup>12</sup> Exhibit RUCO-1 at 11-13.

<sup>13</sup> See Exhibit RUCO-1 at 14.

1 built in Arizona as a result of a transmission line, and those generation plants' environmental  
2 impacts will compound the environmental consequences for Arizona.<sup>14</sup>  
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#### 4 **CONCLUSION**

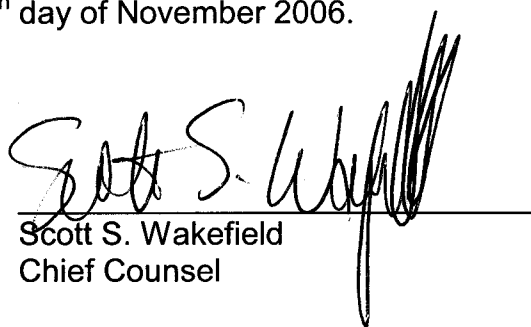
5 When balancing the relevant factors to determine whether to issue a CEC to a  
6 transmission line, the Committee, and the Commission, should consider the price impacts on  
7 end-use electric customers in Arizona, as well as the positive and negative impacts of the line  
8 on reliability of the electric system. They should also consider the impact a line would have on  
9 Arizona utilities' access to available generation resources in Arizona, and whether additional  
10 plants will be required in Arizona as a result of the line. Further, the direct environmental  
11 impacts of the line itself, and the indirect environmental impacts from the line's likely effect on  
12 the usage patterns of Arizona-based generating plants, should be weighed.  
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23 <sup>14</sup>

*Id.*  
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1 RESPECTFULLY SUBMITTED this 27<sup>th</sup> day of November 2006.

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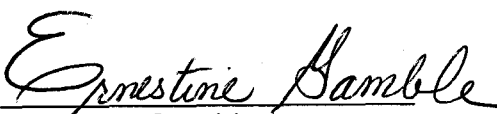
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